

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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DATE: SEPTEMBER 8, 2006
FROM: MICHAEL TUERPE, LAFCO Analyst
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item # 9: Year-End Financial Report for Fiscal Year 2005-06

RECOMMENDATION:

1. For Fiscal Year 2005-06, staff recommends that the Commission acknowledge expenditures in excess of budget in the Commission's 1000 series of accounts of \$2,921 and the 2000 series of accounts of \$33,629, and receipt of revenues in excess of budget of \$215,750.
2. For Fiscal Year 2006-07, staff recommends that the Commission take the following actions:
 - A. Increase Revenue Account 9970 Cash Carryover from Prior Year to \$174,217 (increase of \$28,011) and Total Revenues to \$1,110,167 (increase of \$28,011)
 - B. Increase Account 6025 Reserves to \$56,568 (increase of \$27,286) to balance Appropriations and Revenues at \$1,110,167
 - C. Approve contracting with Mijac Alarm for a security alarm system for the LAFCO office by:
 - i. Authorizing the Executive Officer to sign the contracts for a security alarm system with Mijac Alarms
 - ii. Increasing Appropriation Authority within the 2000 Series by \$725, outlined as follows:
 - a. Increase Expenditure Account 2421 ISD Direct to \$3,640 (increase of \$325)

- b. Add Expenditure Account 2444 Security Services with an appropriation of \$400

FISCAL YEAR 2005-06:

Staff is presenting the Commission with a spreadsheet that outlines the Year-End status of expenditures and receipts for FY 2005-06 (Attachment #1). The information attached shows that Total Expenditures and Total Revenues exceeded projections.

Expenditures within the 1000 series of accounts exceeded appropriation authority by \$2,921. At the May hearing, when staff presented the Commission with FY 2005-06 year-end estimates, staff was not aware of the actual accruals to be posted to LAFCO's Salaries and Benefits Accounts. Accruals from previous years were for four staff positions, and when reversed out during FY 2005-06, the new accruals were for five positions. The increase of accruals over prior years, in effect, forced the 1000 series over the budgeted amount.

Expenditures within the 2000 series exceeded appropriation authority by \$33,629. Specifically, Legal Counsel costs exceeded year-end estimates by over \$37,000. At the May hearing, when staff presented the Commission with the FY 2006-07 Final Budget and FY 2005-06 year-end estimates, the Legal Counsel costs were in line with the Final Budget. At the same hearing, the Commission was informed of the filing of CEQA litigation related to the San Bernardino Valley Water Conservation District sphere of influence decision. The cost for litigation during FY 2005-06 was unforeseen, thereby forcing the 2000 series over the total appropriation amount.

During the same period though, the Commission received a rush of proposal applications due to the January 1, 2007 sunset date of Government Code 56373.3. The volume of applications was unanticipated and resulted in Total Fee Revenue exceeding the year-end estimate by \$57,445. The year-end Total Fee Revenue categories are identified on the spreadsheet and total \$401,650. For the year, Total Revenues exceeded projections by \$209,816 for a total of \$1,046,460. Thus, the Commission had sufficient resources to accommodate the increased expenditures for FY 2005-06.

Attachment #2 to this report provides the identification of the number of proposals and service contracts received during Fiscal Year 2005-06. Only one Service Review was completed during the Fiscal Year, and the number of proposals received (27) is four less than FY 2004-05. However, proposals received during FY 2005-06 included the County Fire Reorganization, affecting 28 separate agencies, and the City of Fontana Reorganization for its island annexations, which contained 32 individual islands that could have been processed as separate applications.

FISCAL YEAR 2006-07:

Due to the increased revenues from FY 2005-06, the carryover into FY 2006-07 is greater than anticipated. Staff's recommendation #2A is to increase Revenue Account 9970 (Carryover from Prior Year) by \$28,011, for a revised total of \$174,217. The carryover increase also increases the Total Revenues, which does not provide for a balanced budget. Therefore, staff's recommendation #2B would balance Appropriations and Revenues at \$1,110,167 by increasing Account 6025 (Reserves) by \$27,286 for a revised total of \$56,568. These increases are identified in bold on the attached spreadsheet.

An additional item presented for consideration by the Commission for FY 2006-07 relates to the acquisition of a security system for the LAFCO office. A security alarm system for the office was neither included in the lease agreement nor addressed during the budget process for FY 2006-07. The office has existing alarm equipment located throughout the facility, which was previously provided by Mijac Alarms, but use of the on-site system requires separate contracts, connection fees, and the installation of a dedicated Verizon phone line. Staff's recommendation #2C would authorize the Executive Officer to sign the contracts with Mijac Alarm for the system – includes a per month rental agreement and central station monitoring agreement. Copies of the draft contracts are included as Attachment #3 to this report. Staff is also recommending the increase of Expenditure Account 2421 (ISD Direct) to \$3,640 (increase of \$325) for the estimated cost of the Verizon phone line installation and the addition of Expenditure Account 2444 (Security Services) with appropriation of \$400 for the payment of the yearly cost of security alarm services. No change is proposed for Expenditure Account 2041 (Phone Service/Outside Company) as sufficient appropriation authority exists to accommodate the monthly costs of the Verizon phone line, estimated to be \$360 per year.

CONCLUSION:

While FY 2005-06 experienced increased expenditures attributable to the unanticipated costs from litigation and accruals for salaries and benefits, the Commission had sufficient resources to accommodate these increases for FY 2005-06. Due to the increased revenues from FY 2005-06, the carryover into FY 2006-07 is greater than anticipated. However, acknowledging the increase in carryover does not provide for a balanced budget for FY 2006-07. To balance the budget, staff recommends an increase in the Reserve Account and Expenditure Accounts to accommodate activation of an alarm system. Finally, staff recommends the Commission authorize the Executive Officer to sign the contracts for security alarm services.

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Attachments:

1. Spreadsheet Year-End Expenditures and Receipts for Fiscal Year 2005-06 and Proposed Increases for Fiscal Year 2006-07
2. Chart Illustrating Proposal Activity for Fiscal Year 2005-06
3. Copy of Draft Contracts with Mijac Alarm for Security Alarm Services